ABSTRACT

Agriculture occupies a key position in Indian economy. In the last few years, the Indian economy has emerged as one of the fastest growing economies in the world. Agriculture has a greater role in the development of industries such as textiles, sugar, tea etc. The prosperity of these agro-based industries depends upon the availability of inputs from the agricultural sector. The contribution of the banking and financial sector to the current economic growth of the Indian economy is very significant. Despite the significant strides achieved in terms of spread network and outreach of institutions, the flow of financial resources to agriculture continue to be inadequate. The progress of agricultural credit in India has depended crucially on Government intervention over the years. This paper describes the management of agricultural credit in India.

Keywords: Agricultural Credit; Kisan Credit Card [KCCs]; NAIS; RIDF

INTRODUCTION

The Indian agricultural sector has been undergoing economic reforms since the early 1990s in the move to liberalise the economy to benefit from Globalisation. Agriculture is an unorganized profession. Its success and failure depend to great extent on the availability of adequate, timely and low cost credit from institutional sources. Programmes for the development of irrigation, soil conservation, mechanization and increased use of inputs like fertilizers and pesticides require substantial credit support. Many economists and policy makers increasingly believe that the future growth of the domestic economy to a large extent will depend on the robust performance of the agricultural and rural sector. The rural population of India suffers from a great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and the lack of convenient access to credit. Rural householders need credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. An equally important concern that needs attention is the flow of institutional credit to agriculture.

Uttarakhand state with diverse agro-climatic endowments, the plains and hills present differing scenarios for agriculture while commercial agriculture is practiced in the plains. The hill farmers mainly practice subsistence farming. The hills practice mixed cropping, while in the plains in a given season single crops are grown mostly. In Uttarakhand more than 75 percent of the population depends on agriculture for their livelihood. The average size of holding in the state is around 0.98 hectare. In uttarakhand, finance is always lacking to have a modern farming due to many reasons. The role of agriculture credit is very important in Uttarakhanad as to increase its productivity and development.
LITERATURE REVIEW

A large volume of literature is available on the concept agricultural credit. Studies were made on public sector banks, private sector banks and RRBs in relating to agricultural credit. A brief view of relevant literature is done below.

Rakesh Mohan(2004), viewed in his article, “A review of performance of agricultural credit in India, though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, limited deposit mobilisation and heavy dependence on borrowed funds by major agricultural credit purveyors. The study suggested that in the changing scenario strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure.

Ramesh Golait (2007) has made an attempt to study the current issues in agricultural credit in India. The Researcher observed that the credit delivery to the agriculture sector continues to be inadequate. The study has identified crop losses, consecutive failure of monsoon, recurrent drought, mounting debts and land tenancy, as some of the main causes which led many distressed farmers to commit suicide. He suggests merging and revamping of RRBs that are predominantly located in tribal/backward regions is seen as a potentially significant institution arrangement for financing the hitherto unreached population.

Dr. Kewal Kumar and Atul Gambhir (2012) in their article have discussed about the problems faced by farmers and suggest some frame work changes regarding problems and sound financing system for the near future. The study found that all types of farmers have forced to avail credit with higher interest rate and cumbersome process of getting loan. They suggest that policy makers should simplify the procedure of agriculture credit, interest rate for marginal and small farmers should be reduced. Staff training college of bank should provide compulsory rural oriented training to staff.

Dr. S. Gandhimathi (2012) has made an attempt to analyze the impact of economic reform on the distribution of agricultural credit in India. The study titled “Distribution of agricultural credit in the pre and post reform period” shows that the co-operative banks dominated in the total agricultural credit disbursement in the pre reform period. The study revealed that the rural banking system in India made tremendous quantitative achievement by neglecting the qualitative aspects of the credit delivery system.

Dr. Vandana Tyagi (2012) analysed the contribution of agriculture to India’s GDP. Agriculture contributes almost about 18 per cent to the country’s GDP. The study found that, although the ratio of agricultural credit to agricultural GDP has increased from 5.4 per cent in 1970s to 8.7 per cent in 2001-02, it may be noted that agricultural credit as a proportion to total credit has declined from 20.5 per cent to 10.5 per cent during the same period indicating lower deployment of credit in agriculture.

OBJECTIVES OF THE STUDY

The present study has been carried out to achieve the following objectives:

1. To study the management of agricultural credit in Uttarakhand.
2. To analyse the flow of credit to agriculture over last 5 years in Uttarakhand.
3. To study the comprehensive credit schemes announced by the Government of India for doubling credit flow to agriculture

METHODOLOGY OF THE STUDY

The study has been conducted mainly on the basis of literature survey and secondary information. Various journals, research papers, Annual reports, and Newspaper articles have been surveyed in making this study.
Agricultural Credit in Uttarakhand

Uttarakhand is primarily an agricultural state although its share in the country’s total area and production is very small. The Uttarakhand state is the second fastest growing state in India. Its gross state domestic product (GSDP) (at constant prices) more than doubled from 24,786 crore in FY2005 to 60,898 crore in FY2012. Like most of India, agriculture is one of the most significant sectors of the economy of Uttarakhand. Basmati rice, wheat, soybeans, groundnuts, coarse cereals, pulses, and oil seeds are the most widely grown crops. Fruits like apples, oranges, pears, peaches, litchis, and plums are widely grown and important to the large food processing industry. Agricultural export zones have been set up in the state for leechi, horticulture, herbs, medicinal plants, and basmati rice.

The growth of food grain production is quite variable in different areas. As a result, agriculture scenario presents a mixed picture. (Area Production and Productivity 2010-11) Productivity of district Udham Singh Nagar, Haridwar, Nainital (plain) and Dehradun (plain) is very high, on the other side; productivity of the hilly area is very low, although the valleys are fertile.

Loans are available for storage, processing and marketing of agricultural produce. Agricultural development was given high priority in the past fifty years and especially under various Five year plans. Bank credit is available to the farmers in the form of short term credit for financial crop production programmes and in the form of medium-term/ long-term credit for financing capital investments in agriculture and allied activities like land development including purchase of land, minor irrigation, farm mechanization, diary development, poultry animal husbandry, fisheries, plantation and horticulture.

Management of Agricultural Credit in Uttarakhand in the Following Ways

Institutional Arrangement

Agricultural credit is disbursed through a multi-agency network consisting of commercial banks, Regional Rural Banks and Cooperatives. There are approximately 756 village level primary agricultural credit societies (PACS), 10 District Cooperative banks (DCBS).

Flow of Credit

A comprehensive credit policy was announced by the Govt. of India containing measures for doubling agricultural credit flow and providing debt relief to farmers affected by natural calamities. The following are the highlights of this announcement.

1. Credit flow to agriculture sector to increase at the rate of 30% per year.
2. Special One-Time settlement scheme for old and chronic loan accounts of small and marginal farmers.
3. Debt restructuring in respect of farmers in distress and farmers in arrears providing for rescheduling outstanding loans over a period of five years including moratorium for two years, thereby making all farmers eligible for fresh credit.
4. Banks were allowed to extend financial assistance for redeeming the loans taken by farmers from private money lenders. Commercial banks should finance at the rate of 100 farmers per branch, total 5 lakh new farmers to be financed by the banks in a year.
5. New investments in agriculture and activities were done at the rate of two or three projects per branch.

Estimated Credit Flow during Last Year in Uttarakhand Is Listed Below

1. The target of agriculture credit is kept at Rs.485775 crore for the financial year 2013-14, actual credit flow is Rs.443847 crore, represents 91.36% of the targets.
2. Public sector commercial banks provided 274804 lacs as advances to farmers to enable them to redeem their debt from moneylenders. The cooperative banks provide 66981 lacs loans to farmers.

3. During 2013-14, 21977 new farmers were financed by public sector commercial banks and 8580 new farmers by private sector commercial banks. The total number of new farmers financed by commercial banks and RRBs together aggregated to 157145, for the year.

Source: SLBC 2013-14

DATA ANALYSIS

The data shows trend in the flow of agricultural credit over the given period of time.

Table 1. Flow of agricultural credit (Rupees in lacs) from 31st March 2010 to 31st March 2014

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TARGET</th>
<th>ACHIEVEMENT</th>
<th>% ACHIEVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>258520</td>
<td>205745</td>
<td>79.5</td>
</tr>
<tr>
<td>2011</td>
<td>257787</td>
<td>275402</td>
<td>106.8</td>
</tr>
<tr>
<td>2012</td>
<td>287406</td>
<td>248911</td>
<td>86.6</td>
</tr>
<tr>
<td>2013</td>
<td>485775</td>
<td>443847</td>
<td>91.36</td>
</tr>
<tr>
<td>2014</td>
<td>357928</td>
<td>327045</td>
<td>91.3</td>
</tr>
</tbody>
</table>

Source: SLBC report

Table1 shows that targeted credit flow to agriculture during the year 2009-2010 is 258520 (in lacs), corresponding achievement is 205745 lacs. The percentage of achievement on targeted is 79.5%. During the year 2010-2011 agricultural credit flow achieved Rs. 275402 lacs against the targeted amount Rs. 257787. It shows that agricultural credit flow achieved is 106.8%. As compared to the year 2010-11 agricultural credit flow is less during the year 2011-12. The target of credit 2011-12 is fixed Rs. 287406 lacs and the achievement Rs248911 lacs represent 86.6% of the targets. During 2013-14 the targeted credit flow Rs357928 lacs and the achievement is Rs. 327045, 91.3 per cent of target.

We can understand the percentage of credit flow is very high in 2010-11 and slightly decreased thereafter.
Table 2. Agency-wise Kisan Credit Card (KCC)

<table>
<thead>
<tr>
<th>Name of the bank</th>
<th>Yearly targets 2013-14</th>
<th>No. of cards issued</th>
<th>% achieved</th>
<th>Limit sanctioned</th>
<th>Cumulative position since inception (no.)</th>
<th>Cumulative position since inception (amount)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial banks</td>
<td>7050</td>
<td>6406</td>
<td>90.87</td>
<td>7704</td>
<td>85103</td>
<td>44418</td>
</tr>
<tr>
<td>RRBs</td>
<td>52500</td>
<td>35567</td>
<td>67.75</td>
<td>5813</td>
<td>443024</td>
<td>135815</td>
</tr>
<tr>
<td>Total</td>
<td>96630</td>
<td>74703</td>
<td>77.30</td>
<td>75686</td>
<td>853476</td>
<td>503918</td>
</tr>
</tbody>
</table>

Sources: SLBC 2013-14

Table2 provides information regarding the agency wise KCCs issue. The banks (including RRBs and Co-operatives) have issued 74703 KCC Cards during 2013-14 with credit limit of Rs.75686 lacs.

It is clear from the table that the achieved % of target of issued credit cards by RRBs is more than commercial banks and cooperative banks.

Interest Subvention to Farmers

Government of India announced an interest subvention scheme in 2006-07 to enable banks to provide short term credit to agriculture (Crop loan) up to Rs.3 lakh at 7% interest to farmers. Govt. announced additional interest subvention of 1% to those farmers who repay their crop loans promptly in the Union budget for 2009-10. This was raised to 2% in 2010-11,3% in 2011-12 and 2012-13 also.During 2013-14 interest subvention scheme extended for crop loans borrowed from private sector commercial banks.

Rehabilitation Package for Distressed Farmers

The rehabilitation package aims at sustainable and viable farming and livelihood support system through debt relief to farmers, improved supply of institutional credit, a crop-centric approach to agriculture, assured irrigation facilities watershed management, better extension and farming support services, and subsidiary income opportunities through horticulture, livestock, dairying, fisheries etc.

Simplification Procedures

The RBI has issued instructions to banks to waive margin/security requirements for agricultural loans up to Rs50,000 and agri-business and agro-clinics up to Rs.5 lakhs. RBI conducted a survey with the help of an agency to make an assessment of customer satisfaction on credit delivery in rural areas by banks.

Guideline for Relief Due To Natural Calamities

The RBI has issued guidelines for providing relief to farmers in area affected by natural calamities. These guidelines enable banks to take uniform and concerted action to provide financial assistance to farmers affected by natural calamities. Rescheduling/Restructuring of the outstanding loan of the farmers in Districts declared as calamity. Rescheduled loan shall be repayable over a period of 5 years, at current interest rates, including an initial moratorium of two years.

National Agricultural Insurance Scheme (Nais)

The main objective of the scheme is to protect farmers against crop losses suffered on account of natural calamities, such as drought, flood, pests and diseases. The scheme is being implemented by the Agricultural Insurance Company of India Ltd (AICL). The scheme is available to all farmers both loanee and non loanee irrespective of their size of holding. It envisages coverage of all food crops
(cereals, millets and pulses), oil seeds, and annual commercial/horticultural crops, in respect of which past data is available for an adequate number of years.

**Rural Infrastructural Development Fund (RIdF)**

NABARD is an Apex body to look after the credit requirements of the rural sector. NABARD has played a vital role in the development of rural areas, by assisting the agricultural sector through Cooperative banks, Regional Rural Banks and commercial banks. NABARD administers the Rural Infrastructural Development Fund, which was set up in 1995-1996. This fund would provide loans to state Governments and state-owned corporations for completing the on-going projects relating to medium and minor irrigation, soil conservation, watershed management and other forms of rural infrastructure. All scheduled commercial banks other than foreign banks operating in India which have not reached the agricultural lending sub-target of 18% of net bank credit would be required to contribute to the RIDF.

**Micro Credit**

NABARD playing an important role in microcredit through the conduct of self-help groups (SHGS). NABARD has played a vital role in the development of rural areas by assisting the agricultural sector through Cooperative banks, Regional Rural Banks and Commercial banks. A major part of NABARD’s short term credit support is disbursed for financing seasonal Agricultural Operations (SAO). NABARD provides refinance assistance under the Integrated Rural Development Programmes (IRDP) for schemes like minor irrigation dairy development sheep/goat development, land development, poultry, fisheries etc. NABARD has set up a Research and Development Fund for granting assistance to SCBs, RRBs, and various other institutions. The three main functions of NABARD are refinancing, institutional development and inspection of District and State Co-operative Banks and Regional Rural Banks.

**Important Policy Measures in Agricultural Sector during The Various Plans**

**Land Reforms**

Land reform measures to abolish intermediaries and to transfer land to the actual tillers of the soil. Abolition of intermediaries and Tenancy reforms are the various measures taken in this regard.

**Technological Measures**

To sustain and extend the agricultural development programmes to larger areas of the country, steps were taken to increase the production of high yielding varieties of seeds, fertilizers.

**Institutional Credit**

An important measure initiated was to make available the institutional credit to farmers, especially through co-operatives and commercial banks. As a result of these measures the importance of money lenders declined to a great extent.

**Subsidies**

The Government of India has provided various subsidies to farmers on agricultural inputs like irrigation fertilizers, electricity and credit.

**Public Distribution System**

One of the important measures taken by the government of India was to introduce Public Distribution System (PDS). The basic idea of introducing this was to provide food grains and other essential goods to consumers at cheap and subsidised rates.

**Rural Employment Programmes**

Government of India has introduced several rural employment programmes over the various Five Year Plans Some of them are- Small Farmers Development Agency (SFDA), Marginal Farmers and
Agricultural Labours Development Agency (MFAL), Integrated Rural Development Programme (IRDP), Jawahar Rojgar Yojana (JRY)

Other Measures

1. Provision and extension of irrigation facilities through major/medium projects and power for minor irrigation through the rural electrification programmes.

2. Improving the system of agricultural marketing through the establishment of regulated markets and introducing other measures such as standardization of weights, grading etc.

3. Provision and expansion of storage and warehousing facilities so that the government can build up buffer stocks to cope with the food problems in case of emergency.

4. Promotion of agricultural research and training for better high yielding varieties of seed and development of other latest techniques in agriculture.

With a view to further increasing the flow of credit to agriculture, several measures were announced by RBI in its Annual policy statement 2005-2006. These include:

- Setting up of an Expert Group to formulate strategy for increasing investment in agriculture.
- Conducting a survey with the help of an outside agency to make an assessment of customer satisfaction on credit delivery in rural areas by banks.

Special package for the Districts severely affected by farmers suicide: The incidents of suicide by farmers have been mainly reported from the State of Andhra Pradesh, Karnataka, Maharashtra, and Kerala. To mitigate the distress of farmers, the Govt. of India decided to launch a special rehabilitation package in 31 Districts in the states of Maharashtra, Andhra Pradesh, Karnataka and Kerala. The 31 Districts were identified based on the severity and magnitude of the incidence of farmers, suicide as reported by the state Govt. The intent is to initially solve the problem and correct the situation in those areas reporting high number of suicides. The package aims at establishing sustainable and viable farming and livelihood support system through debt relief to farmers. For alleviating the hardships caused to debt stressed families of farmers in the affected districts, ex-gratia assistance from Prime Ministers National Relief Fund (PMNRF) was also proposed. RBI set up an Agriculture credit Department which was to have an expert staff to advise the Central Govt., State Govt., State Cooperative banks and other banks, and to coordinate RBI functions for agriculture credit.

CONCLUSION

Agricultural credit has played a vital role in supporting agricultural production in India. The target of agricultural credit flow was fixed at Rs.357928 crore during 2013-14 and the achievement Rs.327045 lacs, represents 91.3% of target. The banks (including RRBs andCo-operatives) have issued 74703 KCCs (Kisan Credit Cards) during 2013-14 with credit limit of Rs75686 lacs. A review of performance of agricultural credit in Uttarakhand reveals that though the overall flow of institutional credit has increased over the years, there are several gaps in the system like inadequate provision of credit to small and marginal farmers, limited deposit mobilisation and heavy dependence on borrowed funds. The effect of education has indicated the need for capacity building of borrowing farmers. Imparting training to borrowers regarding procedural formalities of financial institutions could be helpful in increasing their access to institutional credit. In the changed scenario, strong and viable agricultural financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure. Banks and Government should reevaluate their pre-conceived notions about commercial opportunities in serving the rural and agricultural sector. Co-operative banks and RRBs should enlarge the scope of the KCC scheme to cover term loans for agriculture and allied activities.
REFERENCES


